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PROGRAMME AND BUDGETS, 1998-1999

Proposed adjustments to the programme and budgets

Submitted by the Director-General

Summary

Proposes adjustments to the programme and budgets in the context of General Conference decision GC.7/16.

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Introduction

1. The programme and budgets, 1998-1999, approved by the General Conference in decision GC.7/Dec.16, were prepared on the basis of the Business Plan on the Future Role and Functions of UNIDO approved by the Industrial Development Board in June 1997 (IDB.17/Dec.2). The Business Plan is a policy document which calls for significant changes in UNIDO's programme focus, areas of emphasis, field representation and organizational structures.

2. The translation of the Business Plan into a programme budget demanded a complete revision of UNIDO's programme structures, activities and resource allocations. The programme and budgets were also prepared on the basis of a mandated budget reduction of 20 per cent requiring the abolition of established posts and consequent separation of staff.

3. The programme and budgets, 1998-1999, were prepared using a revised format and presentation, which emphasized the objectives, activities, outputs and resource allocations in terms of programmes rather than on the basis of organizational units. The programme and budget document did not, in fact, include information on a detailed organizational structure under which the programmes of work would be implemented. The designation of the lower level organizational units was the responsibility of the incoming Director-General, who took office immediately following the General Conference on 8 December 1997.

4. Recognizing the need "to provide a measure of flexibility in implementing the programme of work," the General Conference in decision GC.7/Dec.16, paragraph (e), "allowed the Director-General to submit to the Industrial Development Board for consideration, within the limits of the approved programme and budgets and the financial regulations, proposals that he might judge beneficial for the proper functioning of the Organization".

5. The present document discusses the programme and budget issues addressed by the Director-General during the first six months of the biennium and proposes adjustments to the programme and budgets, 1998-1999, within the financial ceiling of the budget as assessed on Member States.

I. ISSUES ADDRESSED

6. During the first six months of 1998, a number of important issues were addressed and programmatic and administrative initiatives implemented by the Director-General. Notwithstanding the difficult financial situation inherited, exacerbated by the mandated staff reduction programme for which insufficient financial resources were made available, significant progress was made in implementing the Business Plan and the programme and budgets.

7. A summary of the main issues addressed and initiatives taken during the first quarter of the biennium is given below:

(a) Introduction of emergency measures to restrict expenditures and restore cash balances to ensure a reasonable level of financial security resulting in the replenishment of the Working Capital Fund ($6.6 million) for the first time since November 1995. The impact has been that the disbursement up to June 1998 of $7.6 million for 1997 unliquidated obligations shows a reduction of $4.1 million over the balances at 31 December 1997 of $11.7 million. Furthermore, expenditures in the regular budget for the first six months of the biennium of $32.7 million represent 41.4 per cent of the 1998 budget of $79.0 million. On the basis of time elapsed, expenditures of $39.5 million could have been anticipated for this period;

(b) Completion of a voluntary staff separation programme by February 1998. The timely completion of the programme led to savings by shortening the period of post overencumbency. In addition, as explained in document IDB.19/9, significantly fewer staff were separated than was anticipated. The anticipated cost of $10.2 million represents a reduction of $5.7 million over the initial estimates;

(c) Creation of a three-division structure, assignment of staff and completion of terms of reference for organizational units;

(d) Introduction of a series of financial and administrative reforms emphasizing delegation of authority and increased accountability;

(e) Convening of meetings with Member States, industrialists, academics and UNIDO staff in a participatory process to elaborate a set of new integrated UNIDO services based on the mandate, core competencies and comparative advantages of UNIDO;

(f) Designation of field offices, transfer of staff and decentralization of substantive and administrative authority to UNIDO field representatives;

(g) Introduction of a number of cost-cutting measures, including cutbacks in documentation, and reductions in the duration of meetings to achieve savings in printing, interpretation, translation and other related

services. Savings as a result of these measures and other reductions in operating costs which will continue throughout 1998-1999 will amount to approximately $1.8 million. Part of the savings are proposed for redeployment to finance UNIDO's share of the "essential requirements" programme for Buildings Management Service, which is described later in this document. Savings are also anticipated in other objects of expenditure such as consultants, travel and meetings, where programme allocations have been restricted during 1998. These savings will be utilized for substantive activities which will be quantified by the end of 1998.

8. The significant reduction in financial outflows achieved as a result of measures introduced by the Director-General as described above are presented in annex I to the document.

9. The action taken as described in paragraphs 7 (a) to (g), which are important steps in the transformation of the Organization, required the formation of a strong team to advise the Director-General and to oversee the introduction of new policies and procedures. This necessitated the recruitment and redeployment of senior staff. However, as Member States had not provided the necessary cash resources to separate staff on programmatic grounds, the possibilities of recruitment or redeployment of staff were limited by the lack of available posts at the appropriate levels. The importance of ensuring a radical and decisive transformation called for an innovative approach to identify resources to permit the Director-General to establish his team within the financial confines of the approved budget. The resources have been made available by increasing the vacancy factor for Professional posts from 5 to 8.5 per cent and establishing posts at the appropriate level.

10. The budgetary adjustments required to support the proper functioning of the Organization are described in the following chapters.

II. PROGRAMMATIC AND FINANCIAL ADJUSTMENTS

11. The proposals outlined in the present document under the authority of General Conference decision GC.7/Dec.16, paragraph (e), address the major adjustments to the programme and budgets and do not include other resource transfers introduced under the authority of the Director-General as part of the ongoing programmatic review and implementation of the programme of work.

12. The adjustment proposals which the Director-General believes to be essential to the proper functioning of the Organization are listed below and explained in programmatic and financial terms. In order to remain within the limits of the programme and budgets, 1998-1999, some of the proposals will be financed from resources made available as a result of increasing the vacancy factor from 5 to 8.5 per cent for Professional posts at Headquarters. The other budget adjustments are effected through savings and redeployment of resources.

(a) Establishment of posts of special advisers to the Director-General (resources: RB $1,194,400 and OB $322,700)

13. As explained in paragraph 9 above, the establishment of these posts is necessary because vacant posts at the appropriate levels were not available to accommodate the required staff. This is because the non-voluntary separation of staff on programmatic grounds and consequent release of posts for recruitment or redeployment could not be undertaken due to a lack of adequate cash resources from Member States. Therefore, with a view to effecting and facilitating the transformation of the Organization as foreseen in the Business Plan, the Director-General has established a number of special adviser posts, which are financed from within the approved budget in areas of key importance for the revitalization of UNIDO. In particular, these posts relate to:

- Special Adviser and Assistant Director-General on Africa Affairs. This post has been established to support the Director-General in ensuring, in accordance with the Business Plan, the geographical focus of UNIDO activities relating to Africa and in strengthening the coordination of UNIDO policies and strategies for the effective delivery of services to African countries.

- Special Assistant to the Director-General on Major Policy Issues. This post has been established to support the Director-General, through monitoring and assessing relevant global trends and establishing effective linkages with the global research and business communities, in defining and further developing the role of UNIDO as a global forum.

(b) Conversion of Internal Audit into an Office of Internal Oversight with strengthened capacity (resources: RB $435,800)

14. The Director-General has converted the previous Internal Audit into an Office of Internal Oversight (OIO). This new Office has assumed greater responsibility and broadened functions. In particular, in the context of enhanced delegation of authority to both middle management levels at UNIDO Headquarters and to field representatives, OIO now places more emphasis on reviewing the functioning of Organization-wide management control

systems and procedures. OIO provides the Director-General directly with recommendations and advice that are taken into account in his decision-making.

15. In order to enable OIO to fully exercise its new functions, the Director-General proposes to strengthen OIO in terms of staff resources through the establishment of a Director-level post to reflect the enhanced responsibility and through the redeployment of a General Service-level post.

(c) Establishment of a post of Controller (resources: RB $274,900)

16. The Director-General places great importance on the provision of coordinated and effective administrative services. This is of particular importance in the light of the decentralization of responsibility and delegation of authority to programme managers and the field, which requires a strong system of administrative support and financial control. For this reason, the Director-General has established a post of Controller through redeployment to effectively develop and operate financial, human resource, management information service and general service functions.

(d) Maintaining UNIDO's representation in Geneva (resources: RB $443,500)

17. With the United Nations system-wide reforms as proposed by the Secretary-General entering into their decisive implementation stage, all United Nations organizations are called upon to ensure a better integration of their activities, both among Headquarters and at the field level. Strong complementarities exist in particular between the mandate of UNIDO on the one hand and those of UNCTAD, ITC and WTO on the other. The strong cooperation envisaged—as already exemplified in the UNCTAD/UNIDO memorandum of understanding signed in March 1998—provides added significance to the functions of the UNIDO Geneva Office which the Director-General thus proposes to maintain.

18. Compared with the previous biennium, the resources allocated to the Geneva Office have been further reduced through (a) downgrading the Professional-level post to the P-2/P-3 level, and (b) cutting the costs for rental of premises to less than half as a result of the office relocation within the Palais des Nations.

(e) Increased allocation for staff training (resources: RB $190,200)

19. As a direct result of the Business Plan, which calls for the discontinuation of certain activities and establishes new areas of concentration and emphasis, the skill profile required of UNIDO staff is bound to be subject to significant change. Meanwhile, the Business Plan has been translated and operationalized into a portfolio of integrated UNIDO services, some of which feature innovative approaches and call for new types of expertise which at present are not, or are only insufficiently, available. To meet the challenge of staff training and re-training in accordance with the requirements emanating from the Business Plan, the Director-General proposes to increase the budgetary allocation for staff training by $190,200. This would constitute an increase of 39 per cent over the amount originally budgeted for this purpose ($495,500).

(f) Support to the Vienna Chapter of the Group of 77 and China (resources: RB $338,300)

20. The Group of 77 and China (G-77) has established seven chapters in different locations with the support of United Nations organizations. These are located in New York, Geneva, Rome, Paris, Nairobi, Washington and Vienna. In order to assist the Vienna Chapter, the Director-General intends to provide support services related to the preparation and servicing of meetings, access to official documentation, interaction with other G-77 chapters as well as interaction with international and regional organizations whose mandates and programmes are of relevance to the technical cooperation activities of UNIDO. Through the G-77 Vienna Chapter, support is also provided to those Permanent Missions accredited to UNIDO yet located in other capitals.

21. The Director-General has redeployed one Professional-level post and one General Service-level post to provide the effective support needed by the G-77 Vienna Chapter for 1998-1999. The general operating costs of the office are to be met from the budgetary allocations under Buildings Management Section and General Services. The Director-General also intends to raise, at the next meeting of the Executive Heads of the United Nations agencies based in Vienna, the question of providing continuous support to the G-77 Vienna Chapter on a rotational basis among all the agencies.

(g) Responsibility for Buildings Management Section (BMS) at the Vienna International Centre (VIC) (resources: RB $0.0)

22. In paragraph 83 of the programme and budget document (GC.7/21), information was provided on the proposal for UNIDO to transfer responsibility for the management of BMS to another organization from 1 January 1999. That proposal was made primarily to relieve UNIDO of the administrative and management burden of managing a complex operation. This appeared a logical step in the light of the significant staff reductions in UNIDO in recent years and the fact that UNIDO's

share of the costs of BMS had fallen to approximately 20 per cent.

23. As explained in the programme and budget document, the transfer of responsibility was dependent on the agreement of one of the other organizations to take on this responsibility. In discussions held during 1998, neither the International Atomic Energy Agency nor the United Nations Office at Vienna has expressed the wish to take over the responsibility for the management of BMS. Therefore, for the time being, UNIDO has no choice but to continue to abide by the provisions of the Memorandum of Understanding Concerning the Allocation of Common Services, under which UNIDO has responsibility for the Service.

24. The Director-General will continue his efforts to find the optimal arrangements for the provision of BMS services in consultation with the heads of the other organizations in the VIC. He will explore various possible options and will keep Member States informed of any new proposals on the management of BMS services. Table 1 presents this as budget adjustment A.

25. However, in the event that the status quo should continue, at least through 1999, UNIDO would continue to retain responsibility for the operation of the Buildings Management Section at the VIC. This would not result in any increase in the net budgetary resource level of $7,526,300, representing UNIDO's share of the cost of BMS for the 1998-1999 biennium.

26. The budget adjustment comprises the restoration of the established posts and gross budget for the cost of BMS for 1999 (at similar levels to 1998) and increases the estimates for cost reimbursement income. Such income is recovered from the agencies sharing in the BMS costs in accordance with the agreed cost-sharing modalities. The proposal does not increase the net budget comprising UNIDO's share for BMS. Furthermore, six General Service administrative support posts which were abolished in Financial Services and Personnel Services in the 1998-1999 programme and budgets will not be restored. The ongoing administration of BMS will be undertaken within the lower level of resources approved for the Division of Administration in the programme and budgets. The proposed restoration of three cost-shared posts in General Services would also not increase the net requirements. Table 1 presents this as budget adjustment B.

(h) Essential requirements programme—BMS (net resource requirement of $1,554,000)

27. As stated in the programme and budgets, 1998-1999 (GC.7/21, paras. 83 and G.28) funds are required to start a major replacement programme for the upkeep of the buildings in the VIC. The financial estimates for the replacement programme for the biennium 1998-1999 were provided in that document, but the source of financing could not be identified, nor could the required funds be provided. As indicated in that document (para. 84), the estimated requirement could not be absorbed in the regular budget, as it had already been subjected to a 20 per cent reduction.

28. An agreement with the Austrian Government provides for a fund to cover major repairs and replacements (MRRF), under which certain VIC activities are undertaken each year, and to which the Vienna-based Organizations (VBOs) contribute. At present, VBOs contribute a total of $0.9 million per year. In 1998, VIC repairs and replacements to be covered by MRRF will cost $1.65 million. The difference in costs between the VBOs' contributions and the actual costs for repair and replacement is made up by the Austrian Government. However, owing to requirements under Austrian law, that agreement does not provide for the items in the proposed essential requirements programme.

29. The buildings in the VIC contain automation and buildings operation installations and systems that were provided by the Austrian Government and that have been in operation since 1979. In addition, the VBOs have installed other systems, beginning in 1980.

30. The essential requirements for the 1998-1999 biennium, as shown in annex II to the present document, represent a major replacement programme in all areas of the buildings of the VIC. After nearly 20 years' occupancy, replacement of worn-out installations and equipment subject to frequent breakdowns and of obsolete technology systems are necessary to maintain an acceptable reliability of operations and to ensure the safety of the occupants. Major elements of the programme for the present biennium include a central automation and control computer for the VIC technical installations and equipment, replacement of technical and sanitary installations and equipment as well as technical modifications to buildings.

Table 1
Regular budget

(In US dollars)

	GC.7/Dec.16	*Budget Adjustment A*[a]	*Budget Adjustment B*[b]
Appropriations			
Policy-making Organs	6,680,000	6,085,600	6,085,600
General Management	10,474,000	11,455,200	11,455,200
Strengthening of Industrial Capacities	42,017,500	40,975,700	40,975,700
Cleaner and Sustainable Industrial Development	14,415,000	14,171,700	14,171,700
Regional Programme Management	20,343,700	20,214,700	20,214,700
Technical Cooperation Management	7,567,600	7,421,900	7,421,900
Administration	44,400,800	47,975,800	65,175,500
Total - (1)	145,898,600	148,300,600	165,500,300
Estimated income			
Regional Programme Management	895,500	895,500	895,500
Administration	13,954,100	16,356,100	33,555,800
Miscellaneous income	1,508,300	1,508,300	1,508,300
Total - (2)	16,357,900	18,759,900	35,959,600
Net requirements - (1-2)	129,540,700	129,540,700	129,540,700

[a]Responsibility for the management of BMS transferred.
[b]Should UNIDO continue to manage BMS in 1999.

31. A 10-year programme with an estimated magnitude of $46.4 million will take place in scheduled phases, each of which must be planned in such a way that the greatest part of the system under repair or replacement remains operational and continues to provide the relevant VIC services. Thus, consultancy services will be required in some areas for planning and implementation activities.

Financial requirements

32. UNIDO proposes to start the 10-year programme in the 1998-1999 biennium, with estimated costs of $46.4 million, of which $4.1 million would be covered by the major repair and replacement fund (see para. 28 above and annex II to the present document) and the remainder (essential requirements) from the regular budget under BMS. The cost to UNIDO over the 10-year period for the essential requirements would amount to some $8.9 million which will be approved on a biennial basis within the programme and budgets. In the first phase, covering the 1998-1999 biennium, the costs would be approximately $3.4 million in 1998 and approximately $4.0 million in 1999, with a total cost of $7.4 million; these amounts are to be cost-shared with all VBOs. For the present and future bienniums, the share of costs for each organization will vary according to the number of staff and the occupancy rate of the buildings.

33. Of the $7.4 million required for the current biennium, UNIDO's share is approximately $1.6 million. As regards the other VBOs, the United Nations has provided in its budgets for the 1998-1999 biennium the UNOV share of $1.7 million; the International Atomic Energy Agency is in the process of securing its share for 1998 ($1.9 million); and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization/ Provisional Technical Secretariat has already obligated its share for 1998 ($0.2 million). The latter two organizations are expected to budget for similar levels in 1999.

Modalities for funding the essential requirements programme

34. In view of the urgency of undertaking these programmes for which funding has already been secured by the other VBOs, it is proposed that the requirements for UNIDO's share for 1998-1999 be met through a redeployment of savings achieved through cost-cutting

Table 2 (a)
REGULAR BUDGET ADJUSTMENT A FOR 1998-1999
(In thousands of US dollars at US$ 1 = AS 12.90)

By major programme

	Budget 1998-1999				*Budget adjustments*			*Adjusted budget 1998-1999*			
	Expenditure	*Income*	*Net*	*Percentage of net total budget*	*Expenditure*	*Income*	*Net*	*Expenditure*	*Income*	*Net*	*Percentage of net total budget*
Policy-making Organs	6,680.0		6,680.0	5.2	-594.4		-594.4	6,085.6		6,085.6	4.7
General Management	10,474.0		10,474.0	8.1	981.2		981.2	11,455.2		11,455.2	8.8
Strengthening of Industrial Capacities	42,017.5		42,017.5	32.4	-1,041.8		-1,041.8	40,975.7		40,975.7	31.6
Cleaner and Sustainable Industrial Development	14,415.0		14,415.0	11.1	-243.3		-243.3	14,171.7		14,171.7	10.9
Regional Programme Management	20,343.7	895.5	19,448.2	15.0	-129.0		-129.0	20,214.7	895.5	19,319.2	14.9
Technical Cooperation Management	7,567.6		7,567.6	5.8	-145.7		-145.7	7,421.9		7,421.9	5.7
Administration	44,400.8	13,954.1	30,446.7	23.5	3,575.0	2,402.0	1,173	47,975.8	16,356.1	31,619.7	24.4
Miscellaneous income		1,508.3	-1,508.3	-1.2					1,508.3	-1,508.3	-1.2
	145,898.6	16,357.9	129,540.7		2,402.0	2,402.0	-0.0	148,300.6	18,759.9	129,540.7	

By major object of expenditure

0	Staff costs	86,436.9	4,726.9	81,710.0	63.1			86,436.9	4,726.9	81,710.0	63.1
0	Official travel	2,192.1	3.3	2,188.8	1.7			2,192.1	3.3	2,188.8	1.7
0	Contractual services	694.7		694.7	0.5			694.7		694.7	0.5
0	General operating expenses	16,869.2	9,845.4	7,023.8	5.4	-525.2	-414.9	-110.3	16,344.0	9,430.5	6,913.5	5.3
0	Supplies and materials	780.8	104.8	676.0	0.5	-13.3	-10.4	-2.9	767.5	94.4	673.1	0.5
0	Acquisition of furniture and equipment	473.1	167.1	306.0	0.2	3,578.9	2,827.3	751.6	4,052.0	2,994.4	1,057.6	0.8
0	EDP non-staff costs	4,164.1		4,164.1	3.2				4,164.1		4,164.1	3.2
0	Technical cooperation and IDDA	13,676.7		13,676.7	10.6				13,676.7		13,676.7	10.6
0	Other expenditures	20,611.0	2.1	20,608.9	15.9	-638.4		-638.4	19,972.6	2.1	19,970.5	15.4
	Miscellaneous income		1,508.3	-1,508.3	-1.2					1,508.3	-1,508.3	-1.2
		145,898.6	16,357.9	129,540.7		2,402.0	2,402.0	0.0	148,300.6	18,759.9	129,540.7	

Table 2 (b)
REGULAR BUDGET ADJUSTMENT B FOR 1998-1999
(In thousands of US dollars at US$ 1 = AS 12.90)

By major programme

		Budget 1998-1999				*Budget adjustments*			*Adjusted budget 1998-1999*			
		Expenditure	*Income*	*Net*	*Percentage of net total budget*	*Expenditure*	*Income*	*Net*	*Expenditure*	*Income*	*Net*	*Percentage of net total budget*
A	Policy-making Organs	6,680.0		6,680.0	5.2	-594.4		-594.4	6,085.6		6,085.6	4.7
B	General Management	10,474.0		10,474.0	8.1	981.2		981.2	11,455.2		11,455.2	8.8
C	Strengthening of Industrial Capacities	42,017.5		42,017.5	32.4	-1,041.8		-1,041.8	40,975.7		40,975.7	31.6
D	Cleaner and Sustainable Industrial Development	14,415.0		14,415.0	11.1	-243.3		-243.3	14,171.7		14,171.7	10.9
E	Regional Programme Management	20,343.7	895.5	19,448.2	15.0	-129.0		-129.0	20,214.7	895.5	19,319.2	14.9
F	Technical Cooperation Management	7,567.6		7,567.6	5.8	-145.7		-145.7	7,421.9		7,421.9	5.7
G	Administration	44,400.8	13,954.1	30,446.7	23.5	20,774.7	19,601.7	1,173.0	65,175.5	33,555.8	31,619.7	24.4
	Miscellaneous income		1,508.3	-1,508.3	-1.2					1,508.3	-1,508.3	-1.2
		145,898.6	16,357.9	129,540.7		19,601.7	19,601.7	-0.0	165,500.3	35,959.6	129,540.7	

By major object of expenditure

100	Staff costs	86,436.9	4,726.9	81,710.0	63.1	5,875.5	4,634.7	1,240.8	92,312.4	9,361.6	82,950.8	64.0
200	Official travel	2,192.1	3.3	2,188.8	1.7	4.6	3.5	1.1	2,196.7	6.8	2,189.9	1.7
300	Contractual services	694.7		694.7	0.5				694.7		694.7	0.5
400	General operating expenses	16,869.2	9,845.4	7,023.8	5.4	11,039.9	8,719.0	2,320.9	27,909.1	18,564.4	9,344.7	7.2
500	Supplies and materials	780.8	104.8	676.0	0.5	113.8	89.9	23.9	894.6	194.7	699.9	0.5
600	Acquisition of furniture and equipment	473.1	167.1	306.0	0.2	7,787.5	6,152.0	1,635.5	8,260.6	6,319.1	1,941.5	1.5
700	EDP non-staff costs	4,164.1		4,164.1	3.2				4,164.1		4,164.1	3.2
800	Technical cooperation and IDDA	13,676.7		13,676.7	10.6				13,676.7		13,676.7	10.6
900	Other expenditures	20,611.0	2.1	20,608.9	15.9	-5,219.6	2.6	-5,222.2	15,391.4	4.7	15,386.7	11.9
	Miscellaneous income		1,508.3	-1,508.3	-1.2					1,508.3	-1,508.3	-1.2
		145,898.6	16,357.9	129,540.7		19,601.7	19,601.7	0.0	165,500.3	35,959.6	129,540.7	

measures in BMS operating costs and in the Joint and Common Services for language and documentation services, printing and library. Therefore, the requirements will be met from within the current level of the approved budget and no additional funds will be sought from Member States. Funding for the essential requirements in future periods will be included in the programme and budget proposals for the respective bienniums.

III. BUDGET IMPLICATIONS

35. In accordance with General Conference decision GC.7/Dec.16, the adjustment proposals are made within the limits of the approved programme and budgets. Consistent with the information contained in the programme and budget document (GC.7/21), the financial information presented in the document is expressed at 1998-1999 rates and at the budget rate of exchange of US$ 1 = AS 12.90.

36. The adjusted appropriation and estimated income amounts are presented in table 1, including the budgetary adjustment should UNIDO continue to manage BMS in 1999.

37. Tables 2 (a) and (b) show the adjustments by major programme and major object of expenditure.

38. The requirements for the operational budget for 1998-1999 are adjusted from $27,490,200 to $27,364,300.

IV. ACTION REQUIRED OF THE COMMITTEE

39. The Committee may wish to recommend that the Board take note of the adjustments to the programme and budgets for 1998-1999 outlined in document IDB.20/7-PBC.14/6 within the context of General Conference decision GC.7/16, paragraph (e).

Annex I

REDUCTIONS IN REGULAR BUDGET FINANCIAL OUTFLOWS, JANUARY TO JUNE 1998

(In millions of US dollars)

		Reduced financial outflows	*Permanent reductions*	*Delayed outflows*
A.	**1997 unliquidated obligations**	**4.1**	**3.2**	**0.9**
B.	**Staff Separation Programme**	**6.8**	**5.7**	**1.1**
C.	**Reduced expenditures**			
	Staff costs	1.5		
	Consultants	0.3		
	Meetings	0.1		
	Travel	0.3		
	Operating costs	0.6		
	MIS non-staff	0.4		
	RPTC/IDDA	1.9		
	Joint and Common Services	1.7		
	Total	6.8	0.5[a]	6.3
D.	**Total**	**17.7**	**9.4**	**8.3**

[a]Based on the reduced financial outflows in the first quarter of the biennium. Savings in Operating Costs and Joint and Common Services of $1.8 million for the biennium are anticipated.

Note: As a result of these financial restrictions on cash outflow, the Working Capital Fund was replenished to its approved level at $6.6 million for the first time since November 1995.

Annex II

**1998-2007 MAJOR REPLACEMENT PROGRAMME
COST-SHARED BY VIENNA-BASED ORGANIZATIONS**

(In millions of dollars at US$ 1 = AS 12.90)

Description	*10-year programme*	*Requirements 1998-1999*
Central VIC automation and control computer	2.60	1.90
Facility management system (hardware, software)	0.60	0.60
Replacement of elevator parts, chargers, cooling equipment, measuring controls	9.10	1.00
Carpet replacement programme	4.00	0.30
Modifications to buildings and equipment	13.20	0.60
Replacement of sanitary installations	3.60	0.50
Replacement of technical installations	6.70	1.60
Replacement of documents conveyor system	3.00	0.00
Replacement of heating and air conditioning systems	3.60	1.10
Subtotal - Major Replacement Programme	46.40	7.60
Contribution by MRRF	4.10	0.20
Net Essential Requirements (gross)	42.30	7.40
Cost-sharing of essential requirements		
Other VBOs (Income - 79 per cent)	33.42	5.85
UNIDO's share (Net - 21 per cent)	8.88	1.55
Total (Gross - 100 per cent)	**42.30**	**7.40**

Note: The cost-sharing for future biennium is indicative only.